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DISARMAMENT—THE ECONOMIC BASIS OF A RECONSTRUCTED WORLD

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IT is not without considerable trepidation that I come before you to present certain features of the practical economic phases of disarmament, from the viewpoint of a business man.

Apart from the economic situation, however, it would seem that on humane grounds alone, the attention of the world should be focused on the imperative necessity of ending war.

With nearly 10,000,000 men killed, and 20,000,000 wounded—many of whom are maimed for life; with warfare waged on a basis calculated to destroy by wholesale starvation the civilian population of the belligerents; with epidemics raging; with death-dealing devices (utilized in sea, air and earth) of hitherto unknown destructibility, does it seem that any human being could support such an inhuman method as war, for the settlement of international disputes?

Now, still more deadly weapons have been invented and poisonous gases, capable of wiping out whole populations have been discovered, to say nothing of the new and horrible possibilities of epidemic-creating bacteria. Does it not seem that the united thought of the world should be directed to prevent a recurrence of such appalling human and economic waste as war?

If the awful loss sustained in the World War is not enough to arouse us to put an end to war, what must be the price of our ultimate awakening?

Professor Bogart's estimates place the direct and indirect cost of the World War at the bewildering figure of over \$337,000,000,000—a sum nearly equal to the combined pre-war wealth of England, France, Germany and Russia.

If an earthquake had swallowed up a large part of Europe, but the population had been saved with the exception of 10,000,000 men, a situation would have been created—weighed in destructive power—somewhat analogous to that presented by

the enormous waste of the accumulated human energy which we call capital. Or, imagine a large part of the United States being snuffed out of existence in the twinkling of an eye. Such has been the destruction of property values—the accumulation of decades, possibly a century, of toil.

True, we dug out the eyes of our country and passed through a period of hectic prosperity, if the economic bat—the great industrial drunk founded upon the sale of our resources to a stricken world—properly can be called prosperity. Anyway, we now are going through the morning after the night before, for war merely shuffles the wealth. It does not create it.

Now let us give rein to our imagination for a moment. Three hundred and thirty-seven billions! Suppose that before the war it had been possible to arouse the same enthusiasm in money raising for economic purposes and that the nations of the world had agreed to utilize this colossal sum for constructive benefit—what might have been accomplished?

The railway system in the United States represents an aggregate investment of about \$20,000,000,000. What would have happened to the world, industrially, if railway systems commensurate with that of this country, had been built in Russia, China, India, and Africa, making available the marvelous resources of those countries to the commerce of the world? Yet for the sum expended in the war, these railway systems might have been built and more than \$200,000,000,000 remained available for the development of the natural resources of these and other countries, in addition to the capital requirements in our own land. Is it conceivable that our industries now could be depressed if this money had been put to productive uses instead of being used for destructive purposes? Can any one for a moment doubt that already we would be in a prosperity so great and permanent that compared with it, the sky-rocket prosperity of the War would seem fleeting and unreal?

However, that possibility is water over the dam and the world today finds itself in the position of a manufacturer who has borrowed practically to the extent of his resources to build new factories and who then finds that he has no working capital with which to operate the factories he has built. Yet, while the world is undergoing a period of economic convalescence, how can the knowledge, secured at such awful cost, be utilized to lay the foundations for a better and more prosperous world?

Practically all economists agree that wars—even wars of dynastic or autocratic ambition—have an economic basis. But shall we continue in such an uneconomic occupation as to destroy many times faster than we can build? What can we offer the peoples of the world in place of the wholesale murder game called war?

The various nations spent for armaments last year, about \$7,000,000,000. For the purposes of this article, a rough estimate has been made that the upkeep of an international police force to maintain law and order throughout the world would cost \$1,000,000,000 annually. Hence, if the peoples of the world were to agree on disarmament, a saving of \$6,000,000,000 would have been made last year—and, although world figures are unobtainable now for the present year, the saving approximately would be the same. Let us suppose that this last sum thus saved were released for constructive purposes; for necessary improvements in our own country; to restore the purchasing power of Europe; to increase that of South America; to develop China, Russia, India, and Africa. Consider how a proper transportation system in these various countries would vivify great masses of human energy which, for want of transportation facilities, now lies relatively dormant. What a wonderful thing we could be doing for America?

A little while ago, Great Britain, France, Japan and the United States consorted together in a loan to China of £5,000,000, while lately *one* of our railway systems, the Pennsylvania, put out \$60,000,000 of notes in one issue, while the still more recent Burlington financing totaled \$230,000,000. China, with her immense population, has but 7,000 miles of railway, notwithstanding her area is considerably greater than that of this country.

Some one has estimated the purchasing power of China as 7% of that of the United States. As there are four Chinamen for every American, this really means that the average American can spend a dollar while the average Chinaman can spend only $1\frac{3}{4}$ cents. Lafcadio Hearn said "the East can underlive the West". He does underlive the West. He is forced to do so. Nevertheless, whenever the Chinaman acquires purchasing power, he also acquires the spending desire. He evidences his prosperity by purchasing good food, good clothing,

good furniture for his home—even motor cars. Hundreds of motor cars of American manufacture are to be found on the good roads of the Malay Peninsula, usually filled with Chinamen.

What then does this mean to America? It means that the workmen in our automobile plants are engaged. It means that the workmen making steel for and the accessories to the motor car gainfully are employed. It means that the workmen in our rubber tire manufactories are employed. It means that these workmen may buy the products of the farm, shoes, clothing, and household goods. In short, it means cumulative activity throughout the whole industrial cycle—so that every one in America profits directly or indirectly by the ability of these Chinamen to purchase American merchandise.

China is used as an illustration, but what is true of China is true also of India, Russia, the East Indies, and the other great populations whose social economic values only slightly are realized. When consideration is given to the fact that more than *half of the population of the world* exists—for it is bare existence—on an average of less than ten cents a day, we can form some idea of the possibilities of producing wealth if this vast store of human energy were helped into well-directed economic activity.

Capital now expended in war preparation is needed—primarily for transportation. Imagine what the opening up of China with her immense resources would mean! Think what another shirt for every Chinaman—or our share of the business—would mean to the cotton manufacturer, to the Southern cotton grower, and what the prosperity of the South would do for the farmers of the West, the fruit-growers of the Pacific Coast, and the manufacturers of the North—to all the members of the productive industrial cycle!

Saving the starving in other lands is a wonderful, noble, and necessary work. Nevertheless, viewed economically, it is first aid work. Is not the effort which will have most permanent benefit, that which brings about conditions making it possible in future for these destitute peoples to produce wealth? Then there should be no starvation.

A philosopher has said that he could make a man refuse \$1,000—by offering him the choice of \$1,000 in one hand, or

\$10,000 in the other, in that he repudiates the lesser for the greater.

China reports the value of imports from the United States in 1919 as 110,000,000 taels or, at the prevailing rate of exchange during that year, about \$153,000,000 U. S. gold. China also imported from Japan merchandise valued at 247,000,000 taels in that year—or the equivalent of \$343,000,000 U. S. gold. Assuming an average profit of, say 10% on the turnover, the American and Japanese producers made total profits respectively of \$15,300,000 and the equivalent of \$34,300,000 U. S. gold. However, to *protect* these accounts against foreign aggression, the respective governments now are expending sums for armaments far exceeding the individual profits to be derived from China as a national account. What business house could pay for *insurance* more than the total amount received for his goods and survive? Yet that, economically, is what we are doing when we maintain armaments to *protect our trade*.

On the other hand, were a part of the money saved by disarmament invested by the United States and Japan in a *free China* to increase the purchasing power of the Chinese, what a tremendous economic benefit naturally would accrue to America and Japan!

The philosopher's \$10,000 is the development internationally of great national accounts. Japan and America must get their eyes upon the \$10,000 of economic development and they will refuse the \$1,000 of war. The policy of extending credits to develop accounts is familiar to every banker and manufacturer in this country. It is the method by which business has been developed in the past. It is not philanthropy. It is the wisest and best thing economically that the nations can do—a policy of intelligent selfishness.

The president of one of our great universities recently said, "National and International relations have become interdependent." America cannot expect prosperity permanently if the countries of Europe and Asia are not prosperous.

We must get the point of view that we are an industrial unit of 105,000,000 people happily and profitably to be employed; that England similarly is a unit of 46,000,000; that France, Germany, Japan, Italy, Russia are great populations to be em-

ployed; that we are an inter-dependent world, economically, and that if one member suffers, all suffer.

It was the Rising Sun of Japan, through the silk panic on the Tokio stock exchange, that first shed light upon the post-war depression from which we just are beginning to emerge. Fancy an economic disturbance manifesting itself in Japan, and in the silk business—of all industries!

One result of America's participation in the war has been the gearing up of our secondary productive capacity—or manufacturing power—to such an abnormal point that, when business becomes normal, we still will be in a period of relative depression. The abnormal activities of our industries in war—false and volatile though they were, and brought about by the squandering of our natural resources—have set a high-water mark, the attainment of which alone will satisfy the country in the future. Pre-war normality means post-war depression. To illustrate: A shoe factory in 1914 turned out 3,000 pairs of shoes a day. Under the stress of abnormal war demand in 1918, an addition to the factory was built and labor secured so that 6,000 pairs were turned out. A return to normality would mean a return to the 3,000 pair ticket of 1914, and a half filled factory—thus, in the light of our manufacturing capacity and the additional number of skilled workers—a pre-war normality means a post-war depression. What is true of the shoe business is true of practically all other manufacturing lines.

We more fully must develop our home markets by better transportation facilities. We must look for new markets. As a creditor nation, we should be able to extend credits to develop our trade when the funds now being expended in war preparation are released for cumulative productive work.

Let us discriminate between the disarmament which might lay us open to unjust attack, and disarmament as an economic principle approved by the nations in order that they may profit more than they possibly could profit by war and conquest. The first is dangerous, the latter, safe.

Dr. Rosa's recent calculations show that nearly 93% of the total expenditure of the U. S. government goes to pay for past and provide for future wars. When "the man in the street" realizes the luxury he is supporting in armaments, and how he might be benefited if the funds released by disarmament were

diverted to build up customers of his country, disarmament will come. All people will refuse the philosopher's \$1,000 when they see the \$10,000.

Professor Nicolai estimates that "if the very most were made of the whole world, probably 150 human beings could live on each square kilometer, and the population would thus attain 22½ billions" as against 1¾ billions today.

We must look upon capital as the essence of labor, and by helping our own and other peoples to be capitalists, help ourselves. America is a living example of the fact that hunger (or fear of starvation) is not the greatest impelling force to industrial achievement, for America has developed under the law of the full belly and increasing wants.

"America, the hope of the world" is not a mere phrase—it is a fact. Still, America is the hope also of America.

We must look ahead—recasting the old adage to "Where there is vision, the people live." "Live and let live" must be our motto.

The man who says men must fight because they always have fought, is talking upon an animal basis, and overlooks the higher intelligence.

To advocate disarmament is not asking a man to cease his cussedness. It is proposing that man's native cussedness be used in competition along constructive lines in science, in trade, in manufacture, in the arts, and in sports.

It is not proposing an end of all war. It merely is proposing a change in warfare from one between nations to one upon nature. It is proposing that man wage a relentless war on the elements through science that nature may give up her riches to mankind. Why should we wait a million years to get cheap transportable energy in the form of coal? The great energy producer, the sun—still shines. Capital released by disarmament and put to cumulative productive uses must become the basis for a reconstructed and better world. Where else so easily can be secured the necessary funds but in disarmament? And it is science which must save the world by enslaving nature's forces. When "lightning and light, wind and wave, frost and flame, and all the secret, subtle powers of earth and air, are the tireless toilers for the human race;" when we have "a world at peace, adorned with every form of art"—then the New Day has come.